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EUROPEAN BRIEF O [REDACTED] FOR 30 MARCH 1984.

FROM: DDI/O [REDACTED]

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6. HONG KONG: INVESTOR CONFIDENCE SHAKEN

//THE ANNOUNCEMENT YESTERDAY BY JARDINE MATHESON, HONG KONG'S LEADING TRADING COMPANY, THAT IT PLANS TO MOVE ITS LEGAL DOMICILE TO BERMUDA HAS STUNNED THE COLONY AND SENT ITS STOCK MARKET PLUNGING.//

//A SIMULTANEOUS DECISION BY HUTCHISON WHAMPOA, ANOTHER MAJOR TRADING COMPANY, TO PAY A LARGE BONUS DIVIDEND TO SHAREHOLDERS RATHER THAN TO REINVEST PROFITS IN THE COMPANY, IS BEING VIEWED IN FINANCIAL CIRCLES AS SHOWING A LACK OF CONFIDENCE IN HONG KONG'S FUTURE. THE ANNOUNCEMENTS DROVE THE HONG KONG STOCK MARKET DOWN PERCENT IN THE FIRST HOUR OF TRADING, WHICH IS THE BIGGEST DROP IN ONE DAY SINCE LAST SEPTEMBER.//

//GOVERNMENT AUTHORITIES HAVE LABELED JARDINE'S MOVE A COMMERCIAL DECISION. COMMUNIST-CONTROLLED NEWSPAPERS IN THE COLONY, HOWEVER, HAVE SUGGESTED THAT IT WAS MADE IN CONSULTATION WITH THE UK IN AN ATTEMPT TO INFLUENCE CONTINUING NEGOTIATIONS OVER HONG KONG'S FUTURE.//

JARDINE'S DECISION PROBABLY WAS TAKEN UNILATERALLY AND PRIMARILY TO PUT ITSELF INTO POSITION TO MOVE FUNDS OUT OF HONG KONG QUICKLY IF NECESSARY. JARDINE WILL MAINTAIN ITS HEADQUARTERS OFFICE IN HONG KONG.//

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NEVERTHELESS, JARDINE'S ANNOUNCEMENT HAS SPLIT THE UNITED FRONT OF BUSINESSMEN WHO PREVIOUSLY HAD BEEN TRYING TO MAINTAIN A SHOW OF CONFIDENCE IN THE COLONY'S FUTURE. ALTHOUGH JARDINE'S ACTION COULD START A SNOWBALL EFFECT AMONG OTHER FIRMS, MOST PROBABLY WILL NOT DECIDE UNTIL AFTER BEIJING ANNOUNCES ITS INTENTIONS REGARDING THE COLONY IN SEPTEMBER.//

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